

AURELIA MUNICIPAL ELECTRIC UTILITY
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JANUARY 1, 2014 THROUGH DECEMBER 31, 2014

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AURELIA MUNICIPAL ELECTRIC UTILITY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Deloy Bruce	Trustee	December, 2014
Dave Johnson	Trustee	December, 2014
Craig Ballantyne	Trustee	December, 2016
Marvin Krause	Trustee	December, 2016
Roger Redig	Trustee	December, 2018

HUNZELMAN, PUTZIER & CO., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
STEVE C. CAMPBELL, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W. J. HUNZELMAN, C.P.A. 1921-1997

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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Trustees:
Aurelia Municipal Electric Utility
Aurelia, Iowa

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of Aurelia Municipal Electric Utility for the period January 1, 2014 through December 31, 2014. The Utility's management, which agreed to the performance of the procedures performed, is responsible for the Utility's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected Trustee meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the Utility's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the Utility Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the Utility's Board.
5. We reviewed Utility funds for consistency with the City Finance Committee's recommended uniform chart of accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
7. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.

8. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended chart of accounts.
9. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
10. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
11. We reviewed the annual certified budget for proper authorization, certification and timely amendment.
12. We agreed certain general ledger account balances to the Utility's underlying subsidiary records and/or documents.

Based on the performance of the procedures described above, we identified various recommendations for the Utility. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of Aurelia Municipal Electric Utility, the objective of which is the expression of opinions on financial statements. Accordingly, we do not express opinions on the Utility's financial statements. Had we performed additional procedures, or had we performed an audit of the Utility, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Aurelia and other parties to whom the Utility may report. This report is not intended to be and should not be used by anyone other than these specified parties.

August 27, 2015

Hummelman, Putzier & Co., PLLC

DETAILED RECOMMENDATIONS

AURELIA MUNICIPAL ELECTRIC UTILITY
DETAILED RECOMMENDATIONS
FOR THE PERIOD JANUARY 1, 2014 THROUGH DECEMBER 31, 2014

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the Utility:

1. Cash – handling, reconciling and recording.
2. Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
3. Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
4. Payroll – recordkeeping, preparation and distribution.
5. Utilities – billing, collecting, depositing and posting.
6. Financial reporting – preparing and reconciling.
7. Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the Utility should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) Bank Reconciliations – Although monthly bank reconciliations were prepared, variances existed between the bank statement balance and the Utility's general ledger fund balances. In addition, the bank reconciliations are not independently reviewed.

Recommendation – The Utility should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and any variances are reviewed and resolved timely. In addition, an independent person should review all bank reconciliations and document their review by signing or initialing and dating the reconciliations.

- (C) Petty Cash and Change Funds – The Utility's petty cash and change funds are not included in the Utility's accounting records and resulting fund balances.

Recommendation – For better control and accountability, the financial activity and balances of all Utility funds and accounts, including petty cash and change funds, should be included in the Utility's accounting records and these funds should be reconciled in a timely manner.

AURELIA MUNICIPAL ELECTRIC UTILITY
DETAILED RECOMMENDATIONS
FOR THE PERIOD JANUARY 1, 2014 THROUGH DECEMBER 31, 2014

- (D) Payroll –The Utility Board of Trustees approves all pay increases, however, the wage increases are approved as a percentage rather than by specific amounts.

Recommendation – Wages of all employees should be adequately documented in the minutes as an hourly rate or salary and not just a percentage increase.

- (E) Journal Entry Approval – The Utility Clerk has control over multiple duties within the Utility due to its relatively small size, including preparing and posting journal entries. It was noted that there is no independent approval of journal entries prepared and posted.

Recommendation – The Utility should implement a procedure to have an independent person review and authorize journal entries prepared by the Utility Clerk such as a member of the Board of Trustees. Authorization should be documented by the initials of the reviewer as well as the date of the review.

- (F) Reconciliation of Utility Billings, Collections, and Delinquent Accounts – Utility billing collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings, collections, and delinquent accounts for each billing period. The Utility Board of Trustees or other independent person designated by the Board of Trustees should review the reconciliations and monitor delinquent accounts.

- (G) Business Transactions - Business transactions between the Utility and Utility officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Craig Ballantyne, Board Trustee, Owns C.A.R.S.	Auto repairs	\$ 570

In accordance with chapter 362.5(3)(k) of the Code of Iowa, the transaction does not appear to represent conflicts of interest since the cumulative amount was less than \$2,500 during the fiscal year.